Public Service Management Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1988

Alberta
TREASURY

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89-05999/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

June 1989

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Management Pension Plan Act, being Chapter P-34.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Management Pension Plan for the fiscal year ended March 31, 1988.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

June 1989

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Public Service Management Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Public Service Management Pension Plan for the fiscal year ended March 31, 1988, to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Public Service Management Pension Plan was established effective July 1, 1972, by the Public Service Management Pension Act to provide a contributory pension scheme for Alberta Government employees occupying positions designated as "Management". Formerly, such employees were participants in the Public Service Pension Plan. Initial participation in the Public Service Management Pension Plan was restricted to departmental employees of the Alberta Government. Participation was later extended to employees of Government Boards, Agencies, Commissions and Crown Corporations.

The Public Service Management Pension Act was repealed on November 1, 1985 and replaced by the Public Service Management Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Management Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Public Service Management Pension Plan is a contributory defined benefit plan under which employee contributions are five per cent of salary and employer contributions nine per cent. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Management Pension Plan.

Members may retire at any time after age 55 without reduction in the amount of pension if five years of pensionable service has been accumulated. Normal pensionable age is 65, however, there is no mandatory retirement age. Pension benefits are based on two per cent of the highest average pensionable earnings for five consecutive years times the number of years of pensionable service. If the member has a spouse and has been married to, or lived with, that spouse for at least five years, unless a waiver is signed by the spouse, the member must choose a normal pension. The normal form of a pension is for the life of the member with a 75 per cent survivor benefit. Single members may elect a life pension, choosing a 5, 10, 15 or 20 year guarantee period. They may also elect a joint pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Public Service Management Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review, the Early Retirement Incentive Program, introduced by the Alberta Government for its employees, created considerable extra work for the Pension Administration. Service to retirees was maintained at a satisfactory level, although certain planned improvements in administrative systems had to be postponed. However, an improvement of particular note was the introduction of an automated Notice of Return for employers which contains more meaningful pension information in an improved format.

Annual statements containing information on pensionable service, contributions and prior service purchased were produced and distributed through employers to all active participants in the plan.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Public Service Management Pension Plan to be $1,239,560,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 22.4 per cent.

Participation

At March 31, 1988, there were 14 employers participating in the Public Service Management Pension Plan, 4,742 active contributors and 328 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A listing of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Public Service Management Pension Plan	Transfers From Public Service Management Pension Plan
	$	$
Public Service Pension Plan	4,676,096	482,098
Local Authorities Pension Plan	274,526	211,793
Universities Academic Pension Plan	-	439,740
	4,950,622	1,133,631

Reciprocal Agreements

At March 31, 1988, the Public Service Management Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Council of Maritime Premiers
- Dalhousie University
- Federal Business Development Bank
- Government of British Columbia
- Government of Canada
- Government of Newfoundland and Labrador
- Government of Ontario
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Province of New Brunswick
- Province of Prince Edward Island
- Regina Civic Employees' Superannuation and Benefits Plan
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Public Service Superannuation Commission
- Saskatchewan Teachers' Superannuation Commission
- York University

The reciprocal agreement with the University of Regina was terminated effective September 3, 1987.

Reciprocal Transfers

During the year ended March 31, 1988, the following number and value of reciprocal transfers were undertaken:

	Transfers To Public Service Management Pension Plan		Transfers From Public Service Management Pension Plan	
	Number	Amount	Number	Amount
		$		$
Government of Canada	10	498,444	8	256,672
Other	11	552,854	6	193,227
	21	1,051,298	14	449,899

Note: The amounts of reciprocal transfers to the Public Service Management Pension Plan are included in the section on Contributions.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1988.

	Participants At March 31, 1988	Contributions Received		
		Employee	Employer	Total
		$	$	$
Government of Alberta	4,008	10,912,291	17,417,359	28,329,650
Alberta Educational Communications Corporation	23	58,489	140,314	198,803
Alberta Liquor Control Board	94	219,970	581,209	801,179
Alberta Opportunity Company	26	69,202	130,859	200,061
Alberta Petroleum Marketing Commission	11	38,323	64,070	102,393
Energy Resources Conservation Board	3	17,072	30,656	47,728
Northern Alberta Institute of Technology	38	129,293	190,705	319,998
Southern Alberta Institute of Technology	25	80,589	124,915	205,504
Special Waste Management Corporation	5	31,675	16,748	48,423
Treasury Branches	458	985,062	1,796,861	2,781,923
Workers' Compensation Board	46	140,011	293,810	433,821
Others	5	11,233	20,218	31,451
Accounts Held On Deposit	328	426	-	426
	5,070	12,693,636	20,807,724	33,501,360

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

	Number	Amount
		$
Cash	52	414,436
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	82	701,687
	134	1,116,123

In addition, 130 refunds of excess contributions totalling $62,765 were made to members and employers.

Death in Service Benefits

In the current year, 10 members died while in service and all 10 of the surviving spouses were granted spousal pensions.

Information and Counselling Services

Payroll and Pensions presented 16 Early Retirement Incentive Program Workshops to employees during the year. In addition, ten workshops were held for employers to assist them in their pension administration responsibilities. The average attendance at each workshop was 25.

A regular information bulletin, Pension News, was prepared for employers. The Alberta Retired Public Employees Society was assisted, by Payroll and Pensions, with the publication of their quarterly newspaper, Postscript.

Requests for individual counselling remained high as a result of the Early Retirement Incentive Program of the Government of Alberta as well as similar programs initiated by other employers.

Pension Benefits

During the year ended March 31, 1988, pension benefits paid totalled $34,583,393, an increase of $8,469,204 (32.4 per cent) over the previous year. A total of 362 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1988		1987	
Normal Retirement	17		16	
Early Retirement	334	(263)	78	(64)
Partial or Total Disability	1	(1)	1	(1)
Death-in-Service (Spousal)	10	(7)	9	(7)
	362	(271)	104	(72)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the reported retirements, 22 were in respect of deferred retirements from previous years (one normal, 20 early and one disability).

Pension options selected by members are as follows:

Member Pensions	At March 31, 1987	New Retirements	Beneficiaries	Deaths	At March 31, 1988
Normal (life with 75 per cent survivor pension)	1,109	337	16	(20)	1,442
Guaranteed 5 years	11	2			13
Guaranteed 10 years	13	5			18
Guaranteed 15 years	16	2			18
Guaranteed 20 years	15	4			19
Joint Life non-reduced		2			2
Spousal Pensions					
Single Life	24	3		(1)	26
Guaranteed 5 years	5				5
Guaranteed 10 years	7	1			8
Guaranteed 15 years	6	1			7
Guaranteed 20 years	41	5	—	—	46
Total Pensions	1,247	362	16	(21)	1,604
Pensions co-ordinated with CPP and/or OAS	720	271	–	(10)	981

Note: The normal pension does not have a guaranteed term but, in the event of the retiree's death, pays the eligible spouse a spousal pension equalling 75 per cent of the deceased retiree's pension for life.

The schedule below categorizes the pensions in effect at March 31, 1988, by dollar value of monthly pension.

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 1 - 499	41	13	54
500 - 999	208	31	239
1,000 - 1,499	278	25	303
1,500 - 1,999	303	13	316
2,000 - 2,499	276	7	283
2,500 - 2,999	203	1	204
3,000 - 3,499	125	1	126
3,500 and over	78	1	79
	1,512	92	1,604

Effective January 1, 1988, a cost of living adjustment of 2.5 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the year.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
RECEIPTS:		
Employee contributions	12,693,636	12,170,138
Employer contributions	20,807,724	20,551,861
Interest on overdue receivables	21	391
Total receipts	33,501,381	32,722,390
PAYMENTS:		
BENEFITS		
Pensions to retired members	33,331,856	24,791,613
Pensions to surviving spouses	1,251,537	1,060,371
Lump sums to beneficiaries of deceased pensioners	–	182,045
Lump sums to beneficiaries of deceased employees	–	80,160
	34,583,393	26,114,189
WITHDRAWALS		
Refunds of contributions and interest to terminated members	1,116,123	1,402,424
Reciprocal agreement transfers	449,899	633,579
Refunds of excess contributions	62,765	110,640
	1,628,787	2,146,643
Total payments	36,212,180	28,260,832
Excess of payments over receipts (receipts over payments)	2,710,799	(4,461,558)

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years:

(000's)

	RECEIPTS			PAYMENTS			
Fiscal Year	Employee	Employer	Total	Benefits	With-drawals	Total	Excess of Payments Over/(Under) Receipts
	$	$	$	$	$	$	$
1987/88	12,693	20,808	33,501	34,583	1,629	36,212	2,711
1986/87	12,170	20,552	32,722	26,114	2,146	28,260	(4,462)
1985/86	11,880	20,105	31,985	22,627	1,801	24,428	(7,557)
1984/85	11,162	18,933	30,095	19,658	1,780	21,438	(8,657)
1983/84	11,819	19,515	31,334	16,620	1,025	17,645	(13,689)